



Arizona Department of Education

The Audit Unit
1535 W. Jefferson St., Bin 19
Phoenix, Arizona 85007
602-364-4036

Average Daily Membership Audit Report Harvest Power Community Development Group, Inc. Fiscal Years 2011, 2012 and 2013

Report Number—14-14

April 11, 2014

**CONTACTING
THE AUDIT UNIT**

Melissa Moreno, Audit Manager

Phone: (602) 364-4036
Email: Melissa.Moreno@azed.gov
Fax: (602) 542-2734
Mail: 1535 W. Jefferson St., Bin 19
Phoenix, AZ 85007-3209

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Arizona Department of Education—The Audit Unit
Attn: Linda Norgren
1535 W. Jefferson Street, Bin 19
Phoenix, AZ 85007-3209
Phone: (602) 364-4063



State of Arizona
Department of Education
The Audit Unit
1535 W. Jefferson St, Bin 19 • Phoenix, AZ 85007
Phone (602) 364-4061 Fax (602) 542-3099

John Huppenthal
Superintendent of
Public Instruction

April 11, 2014

Mrs. Deborah Ybarra, Executive Director
Harvest Power Community Development Group, Inc.
PO Box 6826
Yuma, AZ 85366

Dear Mrs. Ybarra

The Arizona Department of Education Audit Unit has conducted an audit of the Harvest Power Community Development Group, Inc. Average Daily Membership for Fiscal Years 2011, 2012 and 2013. The purpose of the audit was to address whether the School properly reported student enrollment and attendance and to determine if it received the correct amount of Basic State Aid.

Auditors determined that the School was underfunded due to incorrectly reporting the FTE for three students. As a result of this finding, the School was underfunded \$7,786.68 in Basic State Aid for all three fiscal years. The Notice of Audit Findings and Required Reimbursement issued concurrently with this report becomes final 30 days after issuance, unless the School files an appeal.

We appreciate the cooperation and assistance provided by the School's administration during the course of the audit.

Sincerely,

Lisa Eddy,
Chief Auditor

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INTRODUCTION AND BACKGROUND

The Arizona Department of Education (ADE) Audit Unit has conducted an Average Daily Membership (ADM) audit of Harvest Power Community Development Group, Inc. (School) pursuant to Arizona Revised Statutes (A.R.S.) § 15-239. This audit focused on whether the School properly reported enrollment and attendance data to ADE and received the correct amount of Basic State Aid for FY2011 through FY2013.

Average Daily Membership audits of district and charter holder funding—Pursuant to A.R.S. § 15-239, ADM audits help ensure the appropriate distribution of Basic State Aid provided annually to school districts and charter schools. School districts and charter schools receive Basic State Aid based on several factors related to student enrollment and attendance. To receive funding, school districts and charter schools report enrollment and attendance data to ADE. ADE processes that data, determines payment amounts according to the relevant statutory funding formulas and distributes payments to schools up to twelve times each year.

The ADM audit process determines whether payments were correct or if an adjustment is needed. The audit process compares the school district or charter school's information reported to ADE's student data system, the Student Accountability Information System (SAIS), to information found on the original records kept at the school. If auditors find that the school district or charter school's reported information does not match the original documentation, auditors will calculate and report the funding adjustment needed to the school district's or charter school's Basic State Aid. These funding adjustments can be positive or negative, depending upon the audit findings. The audit findings are written and compiled into a report that is then issued to the audited entity.

Superintendent's legal notice links the audit and appeals processes—In addition to the report, the audited entity also receives The Notice of Audit Findings and Required Reimbursement (Notice) that details the audit findings and determination of the Superintendent of Public Instruction regarding adjustments to be made to the school district or charter school pursuant to A.R.S. § 15-915. The audited entity may appeal the Superintendent's decision in the Notice.

Opportunity to appeal the audit—A.R.S. § 41-1092.03 provides the audited school district or charter school that disagrees with the Superintendent's decision in the Notice with the opportunity to file a formal appeal within thirty (30) days after the report was issued. If an appeal is filed, the school district or charter school and ADE may reach agreement in an informal settlement conference. If an agreement is not reached at the informal settlement conference, the appeal will be adjudicated by the Office of Administrative Hearings.

Funding adjustment process and timeframes—When the Notice is finally settled or adjudicated, if ADE has determined that a school district or charter school received an incorrect amount of Basic State Aid, A.R.S. § 15-915 directs that corrections to schools' funding be made in the current budget year. In case of hardship, schools may request that the Superintendent of Public Instruction allow a correction to be made partly in the current budget year and partly in the following budget year.

School financial and other information—The School, located in Yuma and San Luis, Arizona, maintained two campuses during the fiscal years audited for students in grades K through 12. In FY2013, the School enrolled a total of 1,320 students. Table 1 presents the School's unaudited student and financial information for FY2011, FY2012 and FY2013.

Table 1

**Harvest Power Community Development Group, Inc.
Total Students, Revenues and Expenditures
FY2011, FY2012 and FY2013
(Unaudited)**

	FY2011	FY2012	FY2013
Students Enrolled	1,151	1,195	1,320
Revenue			
Local	\$ 286,182	\$ 225,000	\$ 332,250
Intermediate	\$ 0	\$ 0	\$ 0
State	\$6,357,869	\$6,600,000	\$7,666,024
Federal	\$1,637,287	\$1,350,000	\$1,714,234
Total Revenues	<u>\$8,281,338</u>	<u>\$8,175,000</u>	<u>\$9,712,508</u>
Total Expenditures	<u>\$6,738,972</u>	<u>\$7,744,663</u>	<u>\$8,692,753</u>

Source: Annual Report of the Arizona Superintendent of Public Instruction for FY2011 and FY2013, and the School's annual financial report and adopted budget for FY2012.

SCOPE AND METHODOLOGY

The audit focused on whether the School accurately reported its data to ADE and received the correct amount of Basic State Aid in accordance with statutes, the Uniform System of Financial Records (USFR) and its own policies and procedures for FY2011, FY2012 and FY2013.

To conduct this audit, auditors used a variety of methods, including examining School and SAIS records for enrollment and attendance. Auditors also reviewed state statutes and School policies and procedures, and interviewed School management and staff.

Additionally, auditors performed specific tasks for the finding. To determine whether the School correctly reported the FTE status of students to ADE, auditors reviewed the attendance profiles of 64 high school students who were randomly selected or identified by the School as being enrolled in less than five classes and attending part time. Auditors then compared the instructional time each student was scheduled to attend to the requirements in statute and ADE guidelines to determine correct FTE status.

The Audit Unit expresses its appreciation to the School's administration and staff members for their cooperation and assistance during the course of the audit.

FINDING 1: THE SCHOOL INCORRECTLY REPORTED THE FTE STATUS FOR 3 STUDENTS RESULTING IN UNDERFUNDING OF \$7,786.68

Auditors determined that the School incorrectly reported to ADE the enrollment status of 3 high school students, resulting in the School's ADM being understated by a total of 1.21 for FY2012. This occurred because of a lack of training for employees in how to enter the FTE status of students into the SMS to ensure the FTE reported would comply with statute and ADE guidelines. As a result, the School was underfunded by \$7,786.68 in Basic State Aid. According to A.R.S. § 15-915, ADE must repay these monies to the School. Additionally, the School must train its employees to ensure it complies with statute and ADE guidelines when reporting student FTE.

The School Incorrectly Reported FTE for 3 Students

Auditors determined that the School incorrectly reported the FTE status for some of its high school students for FY2012. Auditors identified 3 high school students whose FTE status was reported to ADE incorrectly. These students were all full time in the first semester, but part time in the second semester. However, they were all reported as part time for the entire year. As a result, the School's ADM was understated by a total of 1.21, as shown in Table 2.

Table 2

**Harvest Power Community Development Group, Inc.
Number of Students With Incorrect FTE and ADM Adjustment
FY2012**

	FY2012
Number of Students with Incorrect FTE	3
Total ADM Adjustment	(1.21)

Source: Auditor analysis of School records, A.R.S. § 15-901 and EX-18.

The School Failed to Comply With Statute and ADE Guidelines

The School did not follow statute and ADE guidelines when reporting student FTE for some students. According to A.R.S. § 15-901 and ADE External Guidelines and Procedures EX-18 (EX-18), a high school student must be scheduled for at least 720 instructional hours during the year and at least 20 hours per week for the student to be reported as 1.0 FTE. A student who does not meet these requirements is

considered a part-time student and their FTE status is prorated based on the number of instructional hours provided.¹

Auditors determined that 3 of the School's students had their FTE status incorrectly reported to ADE as part-time for the entire fiscal year. According to School administrators, data entry errors occurred when a student's enrollment status was changed from full-time to part-time in the SMS. Due to a lack of training, when a student's enrollment status changed, the new FTE was entered into the wrong field in the SMS. As a result, the FTE was applied to the entire year instead of just the period of time with the new FTE. These data entry errors caused the students' enrollment status to be reported as part-time for the entire year instead of reporting the students' enrollment status as part-time only for the second semester. The School should train its employees to enter the students' FTE correctly to ensure it complies with statute and ADE guidelines when reporting FTE status.

The School Was Underpaid \$7,786.68 in Basic State Aid

Because the School incorrectly reported the FTE for 3 students, the School was underpaid \$7,786.68 in Basic State Aid. Table 3 illustrates the total underpayment. According to A.R.S. § 15-915, ADE must repay \$7,786.68 in underpaid Basic State Aid to the School for incorrectly reported FTE for the fiscal years audited.

Table 3

**Harvest Power Community Development Group, Inc.
ADM Adjustment Due to Misreported FTE and Funding Adjustment
FY2012**

	FY2012
ADM Adjustment Needed Due to Misreported FTE	(1.21)
Funding Adjustment	\$(7,786.68)

Source: Auditor analysis of School records, A.R.S. § 15-901 and EX-18

Recommendations:

1. ADE must repay \$7,786.68 in underpaid Basic State Aid to the School for incorrectly reported FTE for the fiscal years audited.
2. The School must train its employees to ensure that it properly reports students' FTE status pursuant to statute and ADE guidelines.

¹ Pursuant to A.R.S. § 15-901, a full time student (1.0 FTE) in grades 9 through 12 must be scheduled for and attending at least 720 hours of instruction and at least 20 hours per week, a 0.75 FTE student must be scheduled for at least 540 hours of instruction and at least 15 hours per week, a 0.50 FTE student must be scheduled for at least 360 hours of instruction and at least 10 hours per week and a 0.25 FTE student must be scheduled for at least 180 hours of instruction and at least 5 hours per week.

ADM AND FUNDING ADJUSTMENTS

This audit identified an overall funding increase of \$7,786.68 for the three fiscal years audited as a result of the incorrectly reported FTE status.

Table 4 lists the ADM adjustments and the associated Basic State Aid adjustments for the School for FY2011, FY2012 and FY2013.

Table 4

**Harvest Power Community Development Group, Inc.
ADM and Funding Adjustments Required for
FY2011, FY2012 and FY2013**

	FY2011		FY2012		FY2013		Total Adjustment
	ADM	Basic State Aid	ADM	Basic State Aid	ADM	Basic State Aid	
Incorrect FTE	0.00	\$0.00	(1.21)	\$(7,786.68)	0.00	\$0.00	\$(7,786.68)
Total	<u>0.00</u>	<u>\$0.00</u>	<u>(1.21)</u>	<u>\$(7,786.68)</u>	<u>0.00</u>	<u>\$0.00</u>	<u>\$(7,786.68)</u>

Source: Auditor analysis of SAIS and School student and financial data for FY2011, FY2012 and FY2013.